

Mr. Mark Lawrence:

Pursuant to your request of 28th day of May, 2013 the following information is submitted:

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

JOINT APPLICATION OF YMG
CORPORATION AND TIDEWATER
ENVIRONMENTAL SERVICES,
INC. FOR APPROVAL OF THE
SALE OF ASSETS AND TRANSFER
OF CPCN FROM YMG CORPORATION
TO TIDEWATER ENVIRONMENTAL
SERVICES, INC.
(FILED NOVEMBER 7, 2012)

PSC DOCKET NO. 12-497

IN THE MATTER OF THE APPLICATION OF
TIDEWATER ENVIRONMENTAL SERVICES,
INC. FOR A GENERAL RATE INCREASE FOR
THE CUSTOMERS OF THE PLANTATIONS
RESIDENTIAL COMMUNITY WASTEWATER
SYSTEM (FILED NOVEMBER 7, 2012)

PSC DOCKET NO. 12-498WW

THE COMMITTEE'S SPECIFIC OBJECTIONS
TO THE PROPOSED SETTLEMENT AGREEMENT

The following is submitted in compliance with Mark Lawrence, PSC Hearing Examiner's request that the Committee email all parties with the specific objections to the Proposed Settlement Agreement and the factual and/or legal basis for each objection. We will also file our objections with the Commission as prescribed by the Commission Rules and hard copies of this emailed filing will be mailed to the parties on the Service List as appropriate.

1. It is noted that the Proposed Settlement Agreement was essentially agreed to by TESI and the AG/PA before we (the Committee) were even asked our opinion. The PSC staff (Mr, James Geddes) would not agree to sign the Proposed Settlement Agreement pending TESI's discussing the Proposed Settlement Agreement with our Committee and letting the PSC staff know the results of those discussions.

2. In early May 2013, TESI made one modification to the Proposed Settlement Agreement bringing it to its present state by adding a profit sharing clause in Paragraph #12 which gives us, the customers, a once a year credit on our wastewater bill that is equal to 40% of the actual lease revenues to be received by TESI from Sharp Gas.

3. TESI submitted the profit sharing modification to us and we advised them that we would reluctantly recommend to our Owners the Settlement Agreement with an offer of 40% profit sharing of the Sharp's lease revenues. We indicated that we would recommend this to our Owners, if several changes were also made regarding timing and wording. Timing and wording changes suggested by us were made on a number of occasions in writing or verbally during the negotiations and during our direct testimony.

4. TESI once having tentative agreement with some parties on the Proposed Settlement Agreement took the position that they (TESI) "believe the Settlement Agreement in its present form is more than fair to The Plantations HOA's. We (TESI) are not willing to make any changes to it."

5. The main reason that we object to the overall Proposed Settlement Agreement is that it does not give us, as customers of the Plantations Wastewater System, the most Just and Reasonable rate as possible. The most Just and Reasonable rate presented thus far was by the direct testimony of Howard J. Woods, Jr. on behalf of the Attorney General of The State of Delaware submitted April 1, 2013. This report initially added Sharp Gas Lease revenue to the rate revenue source. This direct testimony with all other factors called for no rate increase the first year and after certification by TESI that it has completed a proposed capital construction plan described in Mr. Kalmbacher's direct testimony (Pages 2 and 3) TESI would be allowed to receive a 23.89% rate increase (\$118.94 per quarter) beginning the second year. TESI willingly allowed the land on which the Sharp Gas storage tank is located to be taken out of the utility's rate base to allow TESI to remove Sharp Lease revenues from the total annual operating revenues (\$185 off the rate base to take almost \$15,000 off the revenues). TESI later added the 40% of the Sharp Gas Lease profits to be shared with all customers on an annual basis but indicated that revenues would not be included for ratemaking purposes. Our Committee's opinion is that the Sharp Gas Lease would be assigned to TESI by the Transfer of the Assets and is included in the Agreement of Sale signed by the Joint Applicants. We disagree with Mr. Woods and TESI that the lease revenues should only be for the land on which the Sharp storage tank is located because the lease involves so much more. The Sharp Gas Propane Lease allows Sharp to "locate and install storage tanks, supply lines, regulators, meters and all other equipment necessary to provide propane gas and appliance service to Development (The Plantations East)." (DPA/PSC-39). The lease also gives Sharp Gas the right to sell propane to all the residents of The Plantations East who want propane service and provides for up to 25% profit sharing to the owner of the lease (currently YMG) payable quarterly. Revenues could increase substantially with a new lease agreement which is due to begin in 2014. The Committee's position is that the facts of the Sharp Lease indicate that whatever revenue is received by TESI should be included as a revenue for ratemaking purposes. This profit sharing should be to a greater extent than is presently offered by TESI because we are reimbursing TESI in the rate base for almost all the money expended to purchase YMG's assets, including the Sharp Lease (excluding the land on which the Sharp Gas storage tank is located). This is the main reason we object to part of Paragraph 11 and Paragraph 12 of the

Proposed Settlement Agreement. This modification to the Proposed Settlement Agreement will help ensure a Just and Reasonable Wastewater Rate to us, as customers.

6. We want the wording of paragraph number 9 changed to reflect "completion" and adding that it will be an amortization as dollar-for-dollar recovery for the amounts spent by TESI to complete remediation project as laid out in the original filing on this Rate Increase Case. We want TESI to complete all the remediation that is needed to have our wastewater system operate efficiently and to satisfy DNREC standards. It may not cost TESI \$648,000 to complete the planned upgrades. We do want TESI to receive complete reimbursement for their investment and to receive a just and reasonable return on their investment. We also want to be considered in the certification process the total amount of money spent for normal operations in addition to the additional investment made by TESI and they should certify both amounts. If the expenditures by TESI do not reach the projected level then TESI should not be awarded the additional annual revenue to the same level as is projected in the Proposed Settlement Agreement. This will lower the proposed new rate and this modification in wording will help insure a Just and Reasonable Rate setting. (We apologize for the proof reading error that allowed several emails to state "We do not want TESI to receive complete reimbursement for their investment." The opposite is true, because we want TESI to receive complete reimbursement for their investment and to receive a Just and Reasonable return on their investment. We are very sorry for the miscommunication caused by this error!!)

7. We want the Rate Case Expense returned to three years to allow a three year normalization of rates. This was later reduced to two years by some parties in the Proposed Settlement Agreement. TESI in the testimony of A. Bruce O'Conner, Page 9 of Rate Application states that "TESI is proposing to amortize (normalize) the Rate Case Expense over three years, which is presently the expected duration of rates to be established in this proceeding." Mr. Howard J. Woods, Jr. also "adopted a three year normalization" in his direct testimony filing dated April 1, 2013. This three year normalization results in one-third per year payback rather than one-half per year payback of Rate Case Expense. This lowers the additional annual revenue needed by TESI and lowers our proposed new rates accordingly. This timing modification will help ensure a Just and Reasonable Rate Setting for us, the customers.

8. The phase in timing should be expanded to three years as was mentioned in the Application for Rate Increase filed by TESI by Mr. O'Conner on Page 9. No increase to customers the first year. The second year the certified rate to begin after certification of completion and remediation costs developing the appropriate rate for customers. This will be computed by the PSC staff. This certified rate will continue for the third year with no increase in the new certified rate. This modification of the Proposed Settlement Agreement will allow a Three Year Normalization of rates and give our owners more time to adjust to the new rates. This modification of the Proposed Settlement Agreement will also help ensure a Just and Reasonable Rate.

9. We want the Settlement Provisions No. 8 to add that the Rate of Return should be no higher than 8.22% as filed in the Rate Increase Application. We propose that the appropriate return on equity should be 9.7% rather than the 10% mentioned in the Proposed Settlement Agreement. Robert Dickey

was advised by Michael Sheehy (Public Advocate who resigned prior to the submission of direct testimony by the Public Advocate Office) that the established return on equity should be 9.7%. This was verified by Regina A. Iorri, Esquire, Deputy AG with Division of the Public Advocate.

10. We request that if it is possible that the PSC stipulate that YMG pay the \$16,000 that TESI has agreed to pay in the Proposed Settlement Agreement. We strongly agree that we should not pay this DNREC Administrative Penalty as mentioned in Paragraph 11. We also have the opinion that TESI should not be required to pay this \$16,000 DNREC Administrative Penalty even though they agreed to do so in the Asset Purchase Agreement Page 2. We filed this request in our direct testimony filed on March 31, 2013 Page 3, Paragraph 6. If possible, this stipulation should be imposed prior to the Transfer of Assets and CPNC which was filed in the Joint Application, PSC Docket No. 12-497.

11. Our final objection to the Proposed Settlement Agreement is with the wording of Paragraph 13. "This settlement is expressly conditioned upon the Commission's approval of the specific terms and conditions contained herein without modification. If the Commission fails to grant such approval, or modifies any of the terms and conditions herein, a settlement will terminate and be of no force and effect..." We were almost entirely closed out of the negotiation process by TESI except for receiving the one modification allowing for 40% Sharp Lease profit sharing with customers but not counting the Sharp Lease revenues for ratemaking purposes. The PSC has a rate decision to make and it should do everything possible to make sure that we as customers receive the most Just and most Reasonable Rate as possible. This Proposed Settlement Agreement does not totally ensure the Just and Reasonable Rates we deserve!!

Thank you for your serious consideration of our objections to the Proposed Settlement Agreement.

ROBERT DICKEY

Chairman, Joint Wastewater Committee of The Plantations and The Plantations East